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Why Bill Quortrup Likes Auto Service
Is Cumberland Now the No. 1 Retailer?
Sohio Tries Stand Alone Car Care

NPN

National Petroleum News

OUTLOOK 86

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MORE QUESTIONS THAN ANSWERS

NATIONAL PETROLEUM NEWS

JANUARY 1986 VOL. 78 NO. 1

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It is the type of annual outlook which, in times past, would have had oil marketers reaching for their nerve pill bottles. Here's what the experts say about supplies, prices, lead phasedown, underground tank regs, insurance coverage, imports and industry restructuring.
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When Illico Independent Oil Co. acquired Apollo Oil Co. last summer, it not only added 25 million gal./year in gasoline sales and 11 newly-upgraded C-stores, it also benefited from the bandwagon effect of months of intensive Apollo advertising and promotional efforts in Peoria, Ill.
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Standard Oil Co. of Ohio (Sohio) is attempting to revive a hot idea of the 1960s which had pretty much fizzled out in recent years—large, company-operated automotive repair centers.
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• TRENDS

What Do The New Service Station Projections Mean?

This time last year, it had almost been taken for granted that the decade-long slump in the retail service station population would come to an end in 1985. It had been assumed that a bottoming-out process was underway and that 1986 somehow would be different. Even a zero-zero projection, after so many years on the downhill toboggan ride, would seem like a ray of sunshine.

Much cold water has just been thrown on those bright hopes and dreams, however.

Updated, soon-to-be-published statistical projections from the federal government's Bureau of Industrial Economics indicate the shakeout not only didn't slacken the least bit in 1985 but also that it will continue in 1986. The 1985 loss had been expected to be about 2,000 stations. That would have been the smallest drop yet, if it had come out that way. The new calculations put the 1985 loss at 7,500 stations—triple the original forecast and then some. The 1986 projection anticipates 3,500 more will be gone by the end of this year. That's a two-year loss of 11,000 retail outlets. (See related story on Page 28.)

But before perspectives are lost, hands are wrung and calamitous wails go up, gasoline marketers would be well advised to back off and evaluate these new statistics against the industry that exists today, not the one that used to be when such population comparisons were more meaningful.

For example, both the Bureau of Industrial Economics and the U.S. Census Bureau count only those stations that generate 50% or more of their sales dollars from gasoline. Automatically excluded from this population total then are thousands of convenience stores, garages, mass merchandisers, fleets and other places which also retail gasoline.

In the '60s and the very early '70s, these exclusions didn't make much difference because the great majority of the gasoline outlets were "true" retail service stations. Now, however, close to 35,000 C-stores retail gasoline (Southland, for example, sold almost 2 billion gal. in 1985 and Cumberland Farms later this year could become the nation's biggest independent retailer at 2.65 billion gal./year). (See story on Page 23.)

Not considered either are other thousands of dispensers known to be out there. Hunter Publishing Co., which is *NPN*'s parent, currently estimates the retail station universe to be 187,000, of which 115,000 have repair bays and 34,500 others do not. Add in the C-store vendors and the truck stops and the Hunter total is 187,000. This is a respectable total which most marketers will agree with.

Do not discount the new government figures, however. But use them for what they now are—benchmarks in the year-to-year comparisons of the "true" service station population, not the gasoline marketing industry as a whole.

A factor to be considered too is that no one has a hard nose count that's strictly a nose count without supplemental "guesstimates."

The Bureau of Industrial Economics, which is a unit of the Commerce Department, as is the Census Bureau, has been counting service stations for more than a quarter of a century in its annual franchising report. All things considered, its track record is good and the results interlock favorably with the Census Bureau's retail trade censuses which take place every five years.

But both Bureaus use questionnaires and sampling techniques, business and government reports, industry estimates and evaluations, and simply old-fashioned horse sense based on experience to make their counts. This is why there are so many gray areas and often differences in industry population estimates.

The new government projection, which will be published later this month, indicates that the "true" retail service station population declined from 132,080 outlets in 1984 to 124,600 in 1985 and will continue to drop in 1986 until it reaches approximately 121,000 next December.

Since the peak year was 1972—226,500 stations—this means the industry is within spittin' distance of being just one-half of what it used to be. If 1986 should be like 1985—worse than what is now expected—the half-size figure could be reached by the end of this year. As it is, the shakeout has cost marketing a total of 102,000 conventional stations in the 13-year span 1973 through 1985.

This is not all bad, however. The surviving industry is much stronger—economically and physically. Thousands of replacement or remodeled stations are now geared up to handle 100,000 to 500,000 gal./month and up.

The surviving stations are doing well over $100 billion worth of business a year. Interestingly, these dollar numbers have increased annually as the station population declined.

—J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

OCTOBER	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.198	$1.117	$1.204	$1.342
Regions:				
Northeast	1.228	1.143	1.219	1.345
North Central	1.198	1.127	1.215	1.361
South	1.182	1.096	1.186	1.330
West	1.193	1.116	1.199	1.344

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	11/29/85	11/30/84
Gasoline (total)	213,155	242,944
Gasoline (Unleaded)*	106,056	111,572
Jet Kerosine	38,022	39,378
Distillates	135,455	160,832
Residual	46,713	50,446

**Included in gasoline total.*
Source: American Petroleum Institute.

OUTLOOK '86

MORE QUESTIONS THAN ANSWERS

It is the type of annual outlook which, in times past, would have had oil marketers reaching for their nerve pill bottles.

In a nutshell, the experts are anticipating that 1986 will be a year of:

—Plentiful product supply with little or no demand growth and soft prices.

—Unstable crude oil prices.

—Lots of costly problems meeting lead-free gasoline requirements, vapor recovery regulations, underground tank rules, and other environmental measures.

—A liability insurance "shortage" that will create nightmare situations.

—More retrenchment and restructuring by refiner-suppliers.

—More fallout and consolidations among jobbers, more closings of conventional service stations.

—A continued buildup in imported oil products.

But after three or four years of pretty much similar conditions, marketers nowadays seem to take such predictions in stride.

This was noticeable at the fall meetings of the American Petroleum Institute, Society of Independent Gasoline Marketers of America, and Petroleum Marketers Assn. of America. There was little squawking about things which seemed big issues earlier in the 1980s—credit card fees, stricter credit terms, major oil company direct-retail operations, terminal pricing and so forth.

Instead, most marketers today seem aware that the industry is in transition, and few expect to see much improvement in 1986 from the tough conditions that have so far characterized the 1980s.

It is good that they are so conditioned, say the experts, for there is not much in the way of sunshine on the horizon for them during the coming year.

Government and various economic forecasters, in the waning months of 1985, were generally in agreement that the new year will be pretty much of a holding action for most marketers. They didn't see the outlook as totally bleak, however.

They figured in December that 1985 demand would be up slightly over 1984 but that things would flatten out in 1986 and the year would wind up a bit ahead of 1984 but lag behind 1985.

Product prices, which showed some improvement in the third and fourth quarters of 1985, are expected to erode again in the spring, summer and fall. Crude prices are expected to decline too.

The government experts say it's quite likely that gasoline will be worth about $1.14 gal. next December and will average about a penny more for the entire year. That would be 4¢ gal. under 1985, and 5¢ gal. below 1984. This is the average for all grades and services.

Distillate fuel oil, the industry's second biggest product by volume, is expected to rise in the first quarter of 1986—a natural happening in the dead of winter—but soften like gasoline so that by year's end the price would be down to $1.04 gal. That would be about the same as the 1985 average but 5¢ gal. less than in 1984.

Of immediate concern, however, is outcome of the industry's brinksmanship with its fuel oil segment over the fall months.

Primary stocks of distillate were about 115 million bbl. at the beginning of the heating season, the lowest pre-winter level in 34 years [*NPN*—Dec. '85, p42]. In mid-November, they were still not much better—122 million bbl. when theoretically they should have been around 150 million bbl.

Warm weather prevailed throughout most of November in the East where most

By J. R. Shaner
Executive Editor

". . . the new year will be pretty much of a holding action for most marketers."

of the distillate customers are located. That helped a lot. Despite the optimism that available refinery capacity and plentiful supplies of crude, plus imports, would avert any serious supply problems, the specter of frigid weather and price spikes haunted most marketplaces, however.

Government energy experts said distillate demand should average 3.02 million b/d in the fourth quarter of 1985 and 3.07 million b/d in the first quarter of the new year. This would be 6% to 7% higher than the corresponding year-ago periods. They also said that distillate prices for home owners should average $1.07 gal. this winter, up 2¢ over last winter. Margins, however, are expected to be much better for distillate marketers this winter—about 6.5¢ g/l. higher because of the low, initial inventories.

Neither the Energy Information Administration, which issued a revised "Short-Term Forecast" in mid-November, nor Independent Petroleum Assn. of America, which updated its twice-a year forecast in late October, projected much change in demand in 1986 versus 1985 and 1984. There were some minor variations between the forecasts and the quarterly figures but not enough to amount to anything. (See related tables elsewhere in this section).

For 1986, the government experts calculated total product demand at an average of 15.7 million b/d, up 20,000 b/d over 1985 but down 10,000 b/d from 1984. Gasoline is expected to average 6.76 million b/d, 40,000 b/d under 1985 but 70,000 b/d over 1984. The second and third quarters of 1986 were projected at 6.91 million b/d and 6.93 million b/d which, while interesting, were significantly under the older high water marks well above 7 million b/d.

Distillate fuel oil volume is expected to achieve a minor increase in 1986—less than1%—to an average of 2.89 million b/d. But as the trend has shown, the increases in recent years have been absorbed by the transportation sector rather than the space-heating distributors.

No Joy in Crude

The inability of the OPEC countries to get their act together has had a depressing effect on crude oil prices. Although they have tried repeatedly to set quotas and price formulas, some members continued to make back door deals at discount prices to the point that some barrels of crude were moving as much as $4 below the so-called official levels.

Saudi Arabia said in October that it was going to increase its output at least 1 million b/d to teach some of the discounters a lesson. Saudi oil production in recent years has dwindled from a high of 8 million b/d to 2 million b/d, which is about half of the quota it has been assigned.

In November, Saudi Oil Minister Ahmed Zaki Yamani said he thought an international price war might develop next spring at which time crude prices could well drop to below $20 bbl. That would be $8 below the official floor for Saudi light crude.

In Kuwait, not long afterwards, the oil minister there mentioned $15 bbl. as a possibility.

But while some of the Mideast OPEC members were issuing such veiled threats of price-cutting, other OPEC members such as Venezuela were less pessimistic.

Jack Tarbes, president of Lagoven, a Venezuelan oil company, told the Society of Independent Gasoline Marketers of America (SIGMA) in San Francisco in mid-November that he believes "essentially the present conditions" of crude oil prices will remain "for awhile." Venezuela thinks there could be "a slight reduction" in prices over the next one to two years but not down to the $18 or $20 bbl. level as some are predicting, said Tarbes.

"Yamani is trying to scare his (OPEC) partners," said Exxon's chairman Clifton C. Garvin. Joining him in similar comments were George Keller, chairman of Chevron Corp. and John Bookout, president of Shell Oil Co.

Still another U.S. oil man who foresees OPEC price cuts in the spring is Ashland Oil chairman John R. Hall. He told New York security analysts in early November that "unless non-OPEC oil production is reduced, we could see a surplus of crude oil and a decline in prices in early 1986."

The pessimism seems to be so widespread in the U.S. industry that if international crude oil prices do not slump come spring, it will be something well worth shouting about.

Domestic Problems

Domestically, there's no end to the continuing surge of problems, issues, controversies, challenges and problems that have been turning oil marketing upside down and inside out in recent years.

Most are carry-overs from 1985 but the explosiveness is more pronounced.

Leaded gasoline, for example, officially reached a new floor of 0.1 gram/gal. of lead on Jan. 1. There is much talk that leaded gasoline will be phased out entirely by Jan. 1, 1987, especially since leaded gasoline represents only about 35% of the volume currently being sold. The forecast is that this will decline to about 25% by next Dec. 31.

But that will not be achieved without a knock-down, drag-out fight by agricultural, trucking and marine interests—all of which contend that leaded product is essential for the tractors, the trucks and the boats that have millions of users and supporters. About 30% of the passenger cars are pre-1975 vehicles and require leaded gasoline too.

Environmental Protection Agency is said to be working with as many as eight manufacturers to make a lead additive available but whether this will solve the problem is yet to be determined. The farm group has Congress almost convinced that a delaying action until 1988 is essential until such things as this are resolved.

But with leaded volume declining, new problems are arising for oil marketers who are beginning to wonder about the economic justification of retail pumps, tanks and other facilities. There are others who note that the legal difference between leaded and unleaded gasoline, as of Jan. 1, was only 1/20 gram/gal., hardly enough to get excited about. They pointed out that leaded gasoline is now down to

What marketers can anticipate:

- ***Supplies: Plentiful but low inventories pose problems***
- ***Demand: Flat with little change from last year***
- ***Prices: Generally soft for gasoline and distillates***
- ***Crude: Spring-summer price cuts are projected***
- ***Service stations: 6,500 more have closed shop***
- ***Critical issues: Stage II—canisters vs. hoses; leaded gasoline—is the end in sight?; insurance nightmares—situation worsens in '86***

"A lot of marketers may be looking at unleaded as the only way to go."

Tax Reform, Superfund Issues Still Confront Wary Congress

Faced with growing concern over the federal budget deficit and a tax revision plan which at times appeared doomed to failure, the speculation on Capitol Hill as 1985 drew to a close was that Congress may be pressured into a tax increase this year.

One revenue-raiser which was quietly being discussed at this writing was the value added tax. Under the VAT, the value of goods and services are taxed at each level of distribution. Analysts say a 1% VAT could raise more than $10 billion a year, and that's even if food and housing expenditures are exempted.

VATs are used widely in European countries, but U.S. lawmakers have thus far shied away from the tax. Several VAT-like proposals surfaced at the end of 1985. At press time, both the full Senate and the House Ways and Means Committee has passed a "gross receipts tax" to pay for an expanded Superfund toxic waste cleanup program. The House version calls for businesses with yearly revenue of at least $10 million to pay $8 in taxes for every $10,000 worth of goods. The Senate bill targets businesses with over $5 million in annual receipts.

A second VAT-like plan came recently from Sen. William Roth Jr. (R-Del.), whose "Business Transfer Tax" (BTT) would force businesses to pay a 10% tax on gross sales minus nonlabor expenses. Roth cushioned the proposal by making it "revenue neutral," meaning that all the proceeds from the BTT would be returned in the form of lower individual tax rates and more favorable depreciation schedules for business.

The concept of revenue neutrality—the hallmark of President Reagan's tax reform plan—has lost some of its luster as lawmakers watched the federal debt grow to more than $200 billion a year. If deficits continue to soar, Congress could easily consider enacting the BTT and earmark all the money into a deficit-reduction kitty.

Meanwhile, it was difficult to predict the eventual outcome of the much ballyhooed tax reform effort. Ditto for Superfund, where marketers were lobbying for reasonable regulation of leaking underground storage tanks and a liability cap on tank insurance.

At press time, the House had taken up the issue of tax reform, while Superfund was still being debated at various committee levels in Congress. The House Ways and Means Committee dealt the oil and gas industry a blow in late-November when it voted to raise industry-wide taxes by $4 billion over the next five years. But it approved continuation of two key industry tax provisions—percentage depletion allowance for stripper wells owned by independent drillers and intangible drilling costs.

The American Petroleum Institute called the Ways and Means Committee plan "bad for employment, bad for industry in general, and bad for the oil industry in particular." Business taxes will rise an estimated $138 billion over five years under the plan, the API claimed.

The ethanol industry got a boost from the committee when lawmakers voted to retain ethanol's 6¢ gal. federal tax break through 1992. President Reagan had proposed immediate elimination of the ethanol write-off in the tax reform package sent to Congress last May.

The full House was expected to spend much of December debating the tax reform plan presented by the Ways and Means Committee. The Senate will begin initial deliberations on tax revision this month.

The fate of Superfund, and how it will emerge from the various committees which were considering the legislation at press time, was equally murky. The most controversial aspect of the plan was the proposed hefty "gross receipts tax" on business to pay for the program. President Reagan had threatened to veto the bill if the new tax is included.

One final note: if there's a tax hike, look for it to come early in the year. That's because the entire House of Representatives is up for reelection in November, along with 34 Senate seats (22 of whom are Republicans).

Traditionally, the party which controls the White House during mid-year elections suffers sizable losses. If that scenario holds true, Democrats will expand on an already healthy lead in the House, and will challenge for control of the Senate, where Republicans currently hold a 53-47 edge. *—Dennis Wharton*

0.1 gram/gal. and that unleaded gasoline can contain as much as 0.05 gram/gal. That equates out to 1/20 gram/gal. of lead. The big difference is that the leaded gasoline is a deliberate additive while the unleaded gasoline is a tolerance factor in recognition of unintended or accidental mixtures with leaded fuels in tanks and trucks.

"In hard, round numbers, however, the difference is insignificant economically and otherwise," said one industry expert. "A lot of marketers may be looking at unleaded only as a way to go."

Not to be forgotten about, however, is the fact that the abrupt reduction in the lead content of gasoline is precipitating some serious octane number problems. Refiners estimate that the phasedown cost them about five octane numbers which now have to be made up from other sources, either more sophisticated refining processes or enhancers. This led to a scramble of sorts in the waning months of 1985 [*NPN*—Nov. '85, p44] which will become more pronounced in the second and third quarters of this year as refiners use up their "lead banks" and begin to implement the alternatives they have available.

The higher cost of manufacturing the leaded gasoline is expected to narrow the price gap between it and unleaded regular, slowing down or eliminating entirely the misfueling that has been a persistent headache for government officials. Recent studies indicated that as many as 16% of the nation's motorists were illegally buying the lower-cost leaded gasoline to take advantage of the price spread.

Nevertheless, it's an industry issue over which many battles will be fought this year and possibly next. The farm bloc has a lot of clout in Congress and so does the trucking industry.

Still another noisy confrontation in 1986 will be that between the oil and automotive industries on the matter of Stage II vapor recovery programs. Environmental Protection Agency has been postponing a decision on the issue of on-board canisters and/or service station hoses for months as it tilted first in one direction then the other. The infighting thus far has been fierce.

The last word was that EPA generally favored the on-board canister route, which would mean that the automotive industry would have to find room in the engine area for the absorbent equipment. But there was some speculation that EPA might find a bit of both programs accept-

Another noisy confrontation: oil and automotive on Stage II vapor recovery.

IPAA '86 Forecast: Not Much Change Ahead

(000 b/d except closing stocks)

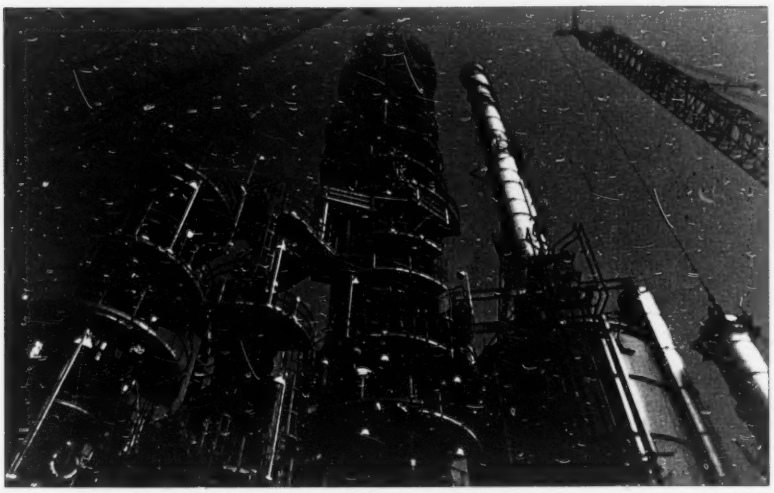
DEMAND	1st Q	2nd Q	3rd Q	4th Q	Est. '86	Est. '85	% Chng.
Domestic Product Demand:							
Motor Gasoline	6,497	6,981	6,990	6,778	6,813	6,812	—
Aviation Fuels	1,203	1,208	1,275	1,258	1,236	1,216	1.6
Middle Distillates	3,452	2,787	2,698	3,069	3,000	2,979	—
Residual Fuel Oil	1,322	1,112	1,096	1,166	1,173	1,203	(2.5)
Liquefied Gases	1,802	1,398	1,459	1,681	1,584	1,582	—
Other Products	1,629	2,062	2,218	1,878	1,948	1,916	1.7
Total	15,905	15,548	15,736	15,830	15,754	15,708	—
Exports	732	712	698	729	718	733	(2.0)
TOTAL DEMAND	**16,637**	**16,260**	**16,434**	**16,559**	**16,472**	**16,441**	—

SUPPLY							
Domestic Production:							
Crude Oil	8,907	8,925	8,919	8,907	8,915	8,931	—
Natural Gas Liquids	1,628	1,604	1,615	1,627	1,618	1,624	—
Total Production	**10,535**	**10,529**	**10,534**	**10,534**	**10,533**	**10,555**	—
Imports:							
Crude Oil	2,973	3,323	3,318	3,299	3,229	3,031	6.5
Motor Gasoline	408	491	452	418	442	431	2.6
Aviation Fuels	50	46	51	49	49	41	19.5
Middle Distillates	288	221	217	290	254	211	20.4
Residual Fuel Oil	562	469	486	538	514	507	1.4
Liquefied Gases	244	163	184	226	204	203	—
Other Products	340	464	477	431	429	434	(1.2)
Total Imports	4,865	5,177	5,185	5,251	5,121	4,858	5.4
Other Supply	754	879	831	851	829	830	—
TOTAL SUPPLY	**16,154**	**16,585**	**16,550**	**16,636**	**16,483**	**16,243**	**1.5**

INVENTORIES							
Closing Stocks (000,000 bbl.):							
Motor Gasoline	225.5	221.4	218.8	224.9	224.9	231.9	(3.0)
Aviation Fuels	45.4	44.6	44.6	43.7	43.7	43.4	—
Middle Distillates	104.4	115.0	130.4	144.7	144.7	139.4	3.8
Residual Fuel Oil	41.8	41.1	41.7	44.2	44.2	43.2	2.3
Liquefied Gases	80.9	94.7	105.1	97.2	97.2	98.1	—
Other Products	55.3	55.8	50.0	48.7	48.7	48.8	—
Total Products	553.3	572.6	590.6	603.4	603.4	604.8	—
Unfinished Oils	106.6	110.3	105.4	100.5	100.5	98.9	1.6
Natural Gas Liquids	7.3	7.7	8.0	7.6	7.6	7.6	—
Crude Oil	321.5	327.7	325.0	324.6	324.6	320.9	1.1
TOTAL INVENTORIES	**988.7**	**1,018.3**	**1,029.0**	**1,036.1**	**1,036.1**	**1,032.2**	—
Crude Runs To Stills:	**11,853**	**12,223**	**12,259**	**12,226**	**12,144**	**12,036**	—

Source: Independent Petroleum Assn. of America, Supply and Demand Committee Forecast, October, 1985

. . . the question of liability and pollution insurance has become nightmarish.



We'll see more imported oil products in 1986, experts say.

able—the canister route and the service station hoses because it would take either or both several years to reach the air quality levels it wants to achieve. Some states, New Jersey and Missouri especially, are running out of time and state and regional officials are pressing for action. New Jersey's legislature recently approved a resolution that has been signed by the governor expressing support for the on-board canister route in preference to the service station program.

UST and Insurance

EPA is also faced with some serious problems in underground storage tanks and the proliferation of state programs to cope with them. The great nose count of tanks is now underway to determine the exact scope of the problem and the ownership of the tanks. Registration is being required. Some solace has been found in an American Petroleum Institute evaluation of Florida data, however, which seems to indicate that the cost factors may not be as high as expected.

It will take another year or two for this problem to shake down completely.

The Insurance Nightmare

Meanwhile, the question of liability and pollution insurance has become nightmarish for marketers. Liability policy costs are tripling and quadrupling and many underwriters are simply withdrawing from the business. "Let's just say that 1986 will probably be the worst year yet for marketers and insurance policies," said one industry expert. (See related story on Page 25.)

The number of companies writing pollution insurance also tightened up in late 1985. Where once there were 15 to 20 companies in the business, now there are only two or three. Reliance Insurance Co., Philadelphia, Pa., announced in November that it is phasing out and The Oil Men's Insurance Program announced that it will accept no new business in 1986

The Federal Forecast for Supplies and Prices

	By the Year			
	History		Projections	
Demand (million b/d)	1983	1984	1985	1986
Motor Gasoline (total)	6.62	6.69	6.80	6.76
Leaded	3.65	2.78	2.38	1.92
Unleaded	2.97	3.99	4.41	4.84
Distillate Fuel Oil	2.69	2.84	2.88	2.89
Residual Fuel Oil	1.42	1.37	1.20	1.15
Other Products	4.50	3.64	3.64	3.73
Total U.S.	**15.23**	**15.73**	**15.70**	**15.72**
Prices (per gal.)*				
Motor Gasoline**	$1.22	$1.20	$1.19	$1.15
No. 2 Diesel	—	1.15	1.16	1.18
No. 2 Heating Oil				
Wholesale	.82	.83	.78	.76
Retail	1.08	1.09	1.04	1.04
Residual***	.65	.69	.62	.56

*All prices include taxes except No. 2 heating oil. **Average for all grades and services. ***Average for all grades of sulfur.

. . . the (service station) slump will continue in 1986, but at a slower pace.

except for five states where it has new programs underway. OMI said its phenomenal growth in 1985—from $3 million in sales in 1984 to $20 million by last month—was the prime reason it had to restrict itself for the time being to the marketers and associations which have supported it right along.

The Planning Corp., Vienna, Va., says it is continuing to write pollution policies but that the prices will be up somewhat in 1986—about $400 per $1 million per station. That's about double what it was only a year or so ago.

Petroleum Marketers Assn. of America, during its recent Nashville, Tenn., meeting, took a look at several proposals suggesting the possibility of setting up or endorsing some sort of an industry-wide insurance program for jobbers. But it ran into stiff opposition from many state executives who depend on their own programs for substantial chunks of their incomes and budgets. Action was deferred but the likelihood of anything concrete emerging under PMAA auspices is considered remote.

Service Station Outlook: Down in '85, Worse in '86

Not helping matters at all is the latest service station population forecast by the U.S. Commerce Department's Bureau of Industrial Economics. Last year, the Bureau had suggested that perhaps the long slump was near an end, that the decline to be expected in 1985 would only be around 2,500 stations. That would have been the smallest minus sign in years.

It didn't happen that way, however. At year's end, the Bureau revised its forecast drastically and said the continuing slump had reduced the 1985 population to 124,600 service stations as of Dec. 31. Thus, instead of being down only 2,500 stations from 1984, the marketing industry lost another 6,500 stations in 1985.

The Bureau predicted that the slump would continue in 1986 but at a slower pace. By the end of this year, the population is expected to be around 121,000. Since the peak year was 1972, when the

Service Stations

	1986	1985	1984
Population	121,000	124,600	132,080
Sales (Billions)	$102,502	$100,492	$100,970
(Jan. 1 '85 forecast, for comparison)			
Population	—	130,000	132,020
Sales	—	$111,332	$107,040

The service station slump continues in 1986, but the pace could be slower.

Quarterly Averages

1985				1986			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
6.49	6.98	6.96	6.74	6.40	6.91	6.93	6.79
2.41	2.56	2.38	2.20	1.98	2.03	1.91	1.75
4.09	4.42	4.59	4.54	4.42	4.89	5.02	5.04
3.28	2.65	2.58	3.02	3.07	2.80	2.59	3.09
1.36	1.15	1.08	1.23	1.43	1.05	.97	1.14
3.52	3.51	3.78	3.75	3.68	3.55	3.87	3.81
15.81	**15.45**	**15.61**	**15.92**	**15.78**	**15.49**	**15.57**	**16.03**
$1.14	$1.22	$1.22	$1.18	$1.14	$1.15	$1.17	$1.14
1.14	1.15	1.17	1.19	1.19	1.19	1.18	1.17
.80	.79	.77	.78	.78	.77	.75	.75
1.05	1.03	1.02	1.06	1.06	1.04	1.02	1.03
.68	.60	.59	.61	.58	.56	.55	.55

Source: Energy Information Administration, Short-Term Energy Forecast, November, 1985

. . . retrenchment or restructuring moves are bound to continue.

population exceeded 226,000 stations, this would mean the marketing industry has seen more than 105,000 outlets vanish from the scene in little more than a decade.

Lower prices and shrinking demand also put a damper on the economics of the gasoline retailers.

The Bureau had projected that 130,000 service stations would generate $107.0 billion worth of business in 1985. But when it dropped this total to 124,600, it also revised the dollar total downward too, saying it now believes it will be around $100.5 billion for '85.

The Bureau says the 1986 total won't be much larger—only $102.5 billion.

On page 33 are some of the Bureau's principal service station projections which will be published later this month in its annual "Franchising in the Economy."

The decline in the service station population does not mean that the marketing industry is restricting or downgrading its ability to meet the demands of motorists.

Many times, several stations in an area are replaced with a much larger facility capable of pumping 100,000 gal. to 500,000 gal. of gasoline monthly. An example of the extreme is a Phoenix, Ariz., marketer who built his station volume to 1 million gal. month [*NPN*—Nov. '85, p61].

Mergers and Acquisitions—Still Front-burner Items for '86

Although the mega-buck merger fever seemed to have quieted down in the last half of 1985, in the wake of the defeat that Unocal Inc. handed Texan T. Boone Pickens, there's no assurance that this has run its course in the oil industry.

The New York Times noted recently that Wall Street brokerage houses and others in the financial area send weekly lists of likely take-over prospects to big investors whose only interest is money, not corporate growth or operations.

The lists pinpoint companies whose stock is undervalued or whose parts are worth more than the whole in a take-over and dismantling process. A number of oil companies fit in this category and it would not be the least bit surprising to see one or more fall prey to the corporate raiders in 1986.

Wall Street had predicted that several more second-tier oil companies would be attacked in 1985 but since this did not happen the feeling seems to be that it's only a lull, not an abandonment

The Times' article mentioned that billions of dollars are readily available to the frontline investors, that the Street is full of arbitragers eager to jump in too for short-term profits, and that the tens of millions of dollars in fees that can be earned by brokerage houses is an all-consuming lure they cannot resist.

Even the stunning $10 billion verdict in the Pennzoil-Texaco suit in November was not considered likely to slow down or hinder future acquisitions and take-overs. "All we learned from that," one broker was quoted as saying, "was that you make sure you have everybody's signature on the agreement before you make any announcements. That's all."

More Restructuring

Whether or not there is more merger activity among the industry's larger companies, retrenchment or restructuring moves are bound to continue, oil company executives and others agree. They see the oil companies continuing a pattern of selling off marginal assets and withdrawing from markets where they may have relatively weak positions.

Consolidations, sellouts and so forth are likely to continue among jobbers, most supplier company and association executives predict. In addition, there will continue to be considerable diversification by jobbers.

But none of this will be much different from the past year or two, most sources agree. They think 1986 will be pretty much a repeat of 1985. *NPN*

Private Branders, Young to Get Larger PMAA Role

New president Tom Potter, Sr., is reaching out in '86 to give stronger voices in Petroleum Marketer Assn. of America affairs to private branders, C-store operators and the younger folks who'll be the industry leaders of tomorrow.

Potter, who succeeded Dave Robinson, Garden City, Kan., on Jan. 1 as the association's chief executive, restructured the Motor Fuels Committee so that it could take aboard two task forces—one dedicated to private brand gasoline marketers and the other to convenience store operators.

Potter also established an Ad Hoc Young Petroleum Marketers Committee—"not the traditional second generation that we've been used to but the younger people, the ones in their thirties that are just coming in now and will be the ones that take over on down the road."

At the same time, the new PMAA president stoutly defended the association's activities in behalf of its oil heat members, noting that there were "some rumbles out there" but that they weren't justified by the record and the results that have been produced to date.

Potter, president of Tom Potter Oil Co., Morehead City, N.C., said the establishment of the Private Brand Task Force within the Motor Fuel Committee meant the elimination of the Ad Hoc Committee on Private Brands that had been in existence the past several years.

"What we found," he said, "was that many private brand members were skipping the Ad Hoc Committee in favor of the Motor Fuel Committee, sometimes because they had dual interests or for other reasons. The private brand group, while not as large as the brand group, is a segment with needs to be served."

Potter said he hopes that the C-store Task Force will emerge eventually as a standing committee in its own right. "A substantial percentage of our marketers are engaged in C-stores and they have problems that need to be addressed," he said.

Referring to his Young Petroleum Marketers Committee, Potter said that was a much better name than the "usual second generation marketer we've always talked about. What we mean here are the young people."

Potter said he thought much of the "rumblings" in the field about fuel oil were "media generated."

"What we have to understand from the outset," he said, "is that PMAA can never be all things to all people. Our primary interests are concentrated on legislative and regulatory activities.

"We have expended considerable effort on the imports fee battle, which is very important to fuel oil. We've also, for example, worked steadily on underground storage tanks and were successful in getting heating oil tanks exempted from the federal controls."